

MEMORANDUM FOR: Legislative Counsel

FROM : Harry E. Fitzwater
Director of Personnel

SUBJECT : Office of Personnel Management Comments
on Overseas Health Care Program

This memorandum is in response to the objections raised by the Office of Personnel Management (OPM) to the State Department draft bill regarding overseas health care programs. Our comments are keyed to the OPM letter as follows:

Regulatory authority - We do not believe the Director's authority should be limited in this area unless a program of equal or better quality can be assured. The proposals made by OPM for a new program do not appear feasible or realistic. They would involve an executive agent to prescribe regulations, HEW to identify unusual health risks and the Department of Labor to process dependent claims. Our ability to staff overseas positions and retain valuable employees would be severely hampered if our well established and relatively smooth working program was replaced by such a complex program.

Job-related medical problems - We would certainly agree that there are many foreign duty posts where employees and dependents are likely to experience a greater incidence of medical/health problems than would be encountered in the U. S. The draft bill proposes that health insurance be the primary source of payment and this would penalize both overseas and domestic personnel through higher insurance premiums. OPM recommends that HEW identify the unusual risks and that a new program be established under the Department of Labor to process claims for dependents where health problems are linked to these unusual risks. We believe the OPM system would be cumbersome and impossible to administer. It is preferable, in our view, to

isolate the cost of these job-related health problems by providing an overseas health care program that is primary to insurance. This is what the Department of State and the Agency did for many years under separate legislation. We recognize that this has an effect of lowering insurance premiums for some people. It also results in the Government paying both for the overseas program and a portion of the insurance premiums of overseas personnel who make only limited use of their insurance. Nevertheless, we believe that the Government has an obligation to pay the higher cost of posting employees abroad and that the most effective mechanism in the case of health problems is to provide an overseas health care program that pays claims primary to health insurance.

Non-job-related medical problems - Authority to establish appropriate health care facilities is essential to any organization with employees assigned overseas. As stated above, we do not believe it would be cost effective to attempt to isolate job-related health problems and establish elaborate administrative procedures to charge reasonable fees for non-job-related health problems. It would require considerable resources to administer such a program, adjudication of claims would be difficult and morale would suffer wherever a questionable claim was refused.

Transportation for medical care -

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The term transportation should be broadened as indicated and transportation for emergency dental care should also be provided.

Repeal of other statutes - The basic purpose of the Interagency Committee's work was to move toward equitable treatment for all overseas employees. We do not believe that such equity should be achieved, however, by reducing worthwhile programs and establishing systems which are uniform but lacking in essential qualities

In order for an overseas health care program to be successful it must be immediately responsive to individual needs and problems. This responsiveness is lost when decisions are removed from an individual agency and a bureaucratic maze, such as OPM has proposed, is created.

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If it appears that we will not be able to prevail in retaining our program, we would recommend that every effort be made to encourage the Department of State to withdraw the draft bill.

Harry E. Fitzwater

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